

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ADJUSTMENT OF RATES OF )  
WESTERN KENTUCKY GAS COMPANY ) CASE NO. 8839

O R D E R

IT IS ORDERED that Western Kentucky Gas Company ("Western") shall file an original and 12 copies of the following information with the Commission within 2 weeks after receipt of this data request. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to insure that it is legible. Where information requested herein has been provided along with the original application, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. If neither the requested information nor a motion for an extension of time is filed by the stated date, the case may be dismissed.

1. The current contracts in effect with Texas Gas Transmission Corporation, Tennessee Gas Pipeline Company, and all local producers from which Western purchases gas.

2. Provide a detailed explanation of Western's purchasing strategies, and address in particular Western's objectives and efforts regarding flexibility of supply as opposed to security of supply.

3. To what degree are Western's purchasing decisions controlled by its parent company? Describe in detail the level of control that can be exercised by Western.

4. Provide, for the test year on a monthly basis, the calculation of inventory profits as set out by the Commission in Case No. 8227. Include all workpapers and supporting calculations.

5. Quantify how the current costs of natural gas purchases compare with the costs of competitive or alternative sources of fuel, including No. 2 and No. 6 fuel oils, and explain what consideration is given to the prices of alternative fuel sources available to customers when purchasing decisions are made.

6. Provide any price elasticity studies Western has performed to determine the effects on sales of gas at various price levels.

7a. What effects do Western's contracts with Texas Gas Transmission Corporation and Tennessee Gas Pipeline Company have on Western's ability to purchase locally produced gas at cost efficient prices?

b. Why doesn't Western attempt to purchase greater volumes of locally produced gas?

c. Who are the suppliers from which Western purchases locally produced gas?

8. Provide any analyses or studies performed by Western regarding losses of revenues resulting from conversion to alternate fuels by its industrial customers. Include estimates for the test year and the two preceding calendar years of how much revenue Western lost due to industrial conversion to alternate fuels.

9. Provide descriptions and amounts of all inter-company transactions between Western and its affiliates during the test year.

10. Explain the increases shown in Item 18a, page 12, of the response to the Commission's first data request for Account No. 930, Miscellaneous General Expenses. Provide specific explanations and necessary support data for the expense levels incurred in December 1982 and March 1983.

11. Explain the allocation of Texas American Energy and Texas American Oil overheads in the amount of \$249,086 as shown in Item 25B, page 4 of the response to the Commission's first data request. Provide the basis for the allocation, the manner in which the amount of the allocation is determined, and details of any reciprocal allocations of Western's overheads among its affiliates.

12a. Provide a narrative description of the activities and costs incurred resulting in the 5 entries shown on page 4 of Item

25B of the response to the Commission's first data request related to "Manager's Transfer."

b. Regarding the same response, provide a narrative description of the activities and costs resulting in the 3 entries related to installation, depreciation and restoration of facilities in executives' homes.

13. Explain the increases in the following expense accounts as shown in Item 18a of the response to the Commission's first data request. Include a breakdown of labor and materials costs for the test year and the previous year.

- a. Account No. 877, Measuring and Regulating Station Expenses - City Gate Check Stations.
- b. Account No. 878, Meter and House Regulator Expenses.
- c. Account No. 893, Maintenance of Meters and House Regulators.
- d. Account No. 903, Customer Records and Collection Expense.
- e. Account No. 908, Customer Assistance Expense.

14. Provide a detailed analysis of all benefits provided to Western's employees including the itemized cost of each benefit and the average annual cost of benefits per employee. If readily available, provide this data by employee classification as shown in Format 18c to the Commission's first data request.

15. Reconcile the difference between the \$1,153,527 in interest expense shown on Exhibit 1, page 4, of Western's financial exhibit and the \$1,742,000 in interest expense shown on

Item No. 2, Schedule 2, of the response to the Commission's first data request.

16a. Provide workpapers showing how the growth rates were calculated shown on Schedule 1, page 1, of Mr. Jackson's prefiled testimony.

b. Provide workpapers showing how the weights listed in Appendix C to Mr. Jackson's testimony were derived.

17. Provide the calculations supporting the pro forma cost of gas as shown on page 8 of Exhibit 5.

18. On lines 24-27 of page 5 in Mr. Powell's testimony a statement was made concerning pipeline rate changes being implemented at the federal level which would filter down to the gas utility distribution level. List specifically the rate design changes referred to, provide a detailed description of each change that has been approved and where it was implemented. Also list any changes that are proposed with related backup information.

19. On lines 4-7 of page 7 in Mr. Powell's testimony it was stated that the G-3 rate schedule was designed for the large industrial users who have dual fuel capability or can readily have such capability of changing to an alternate fuel. Provide a specific definition of what is meant by having the capability of changing to an alternate fuel source.

20. On lines 8-10 of page 7 of Mr. Powell's testimony it states that a preliminary analysis indicates that approximately 30 percent of Western Kentucky's sales load consists of large industrials with alternate fuel capability with 38 percent and 26

percent exposed to residual and #2 oil respectively. Provide details of this analysis and an explanation for the percentage breakdowns.

21. How many large industrial customers did Western Kentucky lose during the test year to alternative fuels?

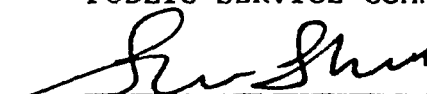
22. List the different fuels that are available to the customers of Western Kentucky.

23. On lines 19-20 of page 10 in Mr. Powell's testimony it is stated that all future increases in contract demand charges be passed on only to the firm customers purchasing gas under the G-1 rate schedule. Do the interruptible customers impose any demand on the system? At peak demand times are all of the interruptible customers cut off?

24. Provide copies of all supporting working papers and back-up for Kinsler Exhibit CAK-1 and 2.

Done at Frankfort, Kentucky, this 21st day of July, 1983.

PUBLIC SERVICE COMMISSION

  
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For the Commission

ATTEST:

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Secretary